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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL

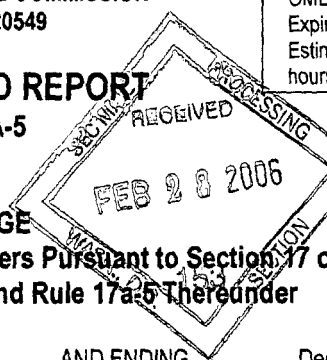
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REPORT FOR THE PERIOD BEGINNING January 1, 2005 AND ENDING December 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Kinecta Financial and Insurance Services, LLC

OFFICIAL USE ONLY

FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1500 Rosecrans Avenue, Suite 202

(No. and Street)

Manhattan Beach

(City)

California

(State)

90266

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Leonard Gzesh, Chief Operating Officer

(310) 643-5567

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McGladrey & Pullen, LLP

(Name - if individual, state last, first, middle name)

2001 S. Barrington Ave., Ste. 303

(Address)

Los Angeles,

(City)

CA

(State)

90025

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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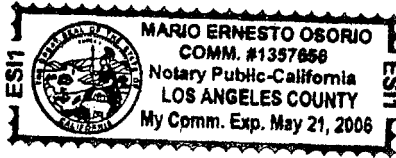
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OATH OR AFFIRMATION

I, Leonard Gzesh, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Kinecta Financial and Insurance Services, LLC** as of **December 31, 2005**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer, or director has any proprietary interest in any account classified solely as that of a customer, except as follows: NONE.




Signature

CHIEF OPERATING OFFICER
Title



Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Control

***For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

**Kinecta Financial and Insurance
Services, LLC**

**(A Wholly Owned Subsidiary of
Kinecta Federal Credit Union)**

**Financial Report
December 31, 2005**

McGladrey & Pullen

Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

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McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kinecta Financial and Insurance Services, LLC
Manhattan Beach, California

We have audited the accompanying statement of financial condition of Kinecta Financial and Insurance Services, LLC as of December 31, 2005 and the related statements of income, membership capital, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kinecta Financial and Insurance Services, LLC as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Los Angeles, California

February 3, 2006

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KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,158,645
Accounts receivable	123,219
Accrued interest receivable	<u>19,572</u>

3,301,436

Marketable securities owned, at fair value	1,495,441
Property and equipment	47,928
Prepaid expenses	<u>25,080</u>

\$ 4,869,885

LIABILITIES AND MEMBERSHIP CAPITAL

Current liabilities:

Accounts payable and other liabilities	\$ 539,520
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Membership Capital	<u>4,330,365</u>
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\$ 4,869,885

KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2005

Revenues

Commission income	\$ 5,943,844
Other income	<u>82,476</u>
Total revenue	<u>6,026,320</u>

Expenses

Compensation and related benefits	1,797,259
Commissions	1,638,602
Operations	470,230
Professional and outside services	138,709
Occupancy	95,595
Marketing and promotions	<u>66,919</u>
Total expenses	<u>4,207,314</u>
Net income	<u><u>\$ 1,819,006</u></u>

KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
STATEMENT OF MEMBERSHIP CAPITAL
YEAR ENDED DECEMBER 31, 2005

Balance, December 31, 2004	\$ 2,711,359
Distribution to parent	(200,000)
Net income	<u>1,819,006</u>
Balance, December 31, 2005	<u>\$ 4,330,365</u>

The accompanying notes are an integral part of this statement.

KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities

Net income	\$ 1,819,006
Adjustments to reconcile net income to net cash provided by operating activities:	
Accretion of net discount on marketable securities	(678)
Depreciation	23,945
Increase in accrued interest receivable	(19,572)
Decrease in accounts receivable	195,257
Increase in prepaid expenses	(14,085)
Increase in accounts payable and other liabilities	50,342
	<hr/>
Net cash provided by operating activities	2,054,215

Cash flows from investing activities

Purchases of marketable securities	<hr/> (1,494,763)
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Cash flows from financing activities

Distribution to parent	<hr/> (200,000)
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Increase in cash and cash equivalents	359,452
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Cash and cash equivalents, beginning of year	<hr/> 2,799,193
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Cash and cash equivalents, end of year	<hr/> \$ 3,158,645
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KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business:

Kinecta Financial and Insurance Services, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission and is a member of National Association of Securities Dealers, Inc. The Company is a wholly owned subsidiary of Kinecta Financial Management, LLC (the Parent) that is wholly owned by Kinecta Federal Credit Union. The Company was established primarily to provide brokerage and insurance services to members of Kinecta Federal Credit Union.

The Company received approval from the National Association of Securities Dealers, Inc. to operate as a registered broker-dealer on December 14, 2005.

The Company operates under the provisions of paragraph (k)(2)(ii) of rule 15c3-3 of the Securities and Exchange Commission and accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer, and promptly transmit all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

A summary of the Company's significant accounting policies follows:

Cash and Cash Equivalents:

Cash and cash equivalents consist of non-term deposit accounts at Kinecta Federal Credit Union and Linsco/Private Ledger.

Property and Equipment

Property and equipment is recorded at cost and is depreciated principally under the straight-line method over the estimated useful lives of the respective assets.

Revenue Recognition:

The Company receives commission income in accordance with the terms of an agreement with their clearing agent. Commission income and related expenses for financial services are recognized on a trade date basis. Commission income and expenses relating to the sale of insurance products for various insurance carriers are recognized at the time of the sale.

Income Taxes:

Kinecta Financial and Insurance Services, LLC is a single member limited liability company and as such is not subject to federal and state income tax. Income or loss from the Company is passed through to its member. The Company is, however, subject to state taxes on gross receipts.

KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Marketable Securities Owned

Marketable securities owned consist of U.S. Treasury Notes with maturities ranging from 2007 to 2015 and are recorded at market value.

Note 3. Property and Equipment

Property and equipment are summarized as of December 31, 2005 as follows:

Furniture, fixtures, and equipment	\$ 723,774
Accumulated depreciation and amortization	<u>(675,846)</u>
	<u>\$ 47,928</u>

Note 4. Employee Benefit Plans

The Company also participates in Kinecta Federal Credit Union's 401(k) pension plan that allows employees to defer a portion of their salary into the 401(k) plan. The Company matches a portion of employees' wage reductions. Pension costs are accrued and funded on a current basis. The Company contributed approximately \$159,000 to the plan for the year ended December 31, 2005.

Note 5. Related Party Transactions

The Company is charged by the parent credit union, Kinecta Federal Credit Union, for certain expense allocations, including the cost of office space and management support. These expenses, which are included in operations and occupancy, totaled \$176,827 for the year ended December 31, 2005.

The company has \$3,125,711 on deposit with Kinecta Federal Credit Union at December 31, 2005. The balance is insured by the National Credit Union Share Insurance Fund up to \$100,000.

KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Note 6. Off Balance Sheet Risk and Concentration of Credit Risk

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection of, and payment of funds and, receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker-dealer.

Note 7. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 or 8 to 1 during its first twelve months following approval of broker dealer status. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2005 the Company had net capital and net capital requirements of \$1,214,813 and \$67,440, respectively. The Company's ratio of aggregate indebtedness to net capital was 0.44 to 1.

KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15C3-1
DECEMBER 31, 2005 – SCHEDULE I

Total membership equity from statement of financial condition	\$ 4,330,365
Less non-allowable assets:	
Prepaid expenses	\$ 25,080
Property and equipment	47,928
Accounts receivable	123,219
Accrued interest	19,572
Other deduction	31,479
Non-allowable deposits at affiliate credit union	<u>2,776,455</u>
Total non-allowable assets	<u>3,023,733</u>
Net capital before other deductions	1,306,632
Fidelity bond coverage deficiency of minimum requirement	52,835
U.S. government obligations	38,325
Money market account	<u>659</u>
Net capital	<u>\$ 1,214,813</u>
Aggregate indebtedness:	
Accounts payable and accrued expenses	<u>\$ 539,520</u>
Computation of basic net capital requirement	
Minimum net capital required	
(Greater of \$5,000 or 12.5% of aggregate indebtedness)	<u>\$ 67,440</u>
Net capital in excess of minimum requirement	<u>\$ 1,147,373</u>
Ratio of aggregate indebtedness to net capital	<u>0.44 to 1</u>

Statement pursuant to paragraph (d) of rule 17a-5:

There are no material differences between the amounts presented in the computations of net capital set forth above and the amounts as reported in the Company's unaudited Part IIA Quarterly FOCUS Report as of December 31, 2005.

**KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
UNDER RULE 15C3-3
DECEMBER 31, 2005 – SCHEDULE II**

None, the Company is exempt from rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(ii) thereof.

KINECTA FINANCIAL AND INSURANCE SERVICES, LLC
INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS
UNDER RULE 15C3-3
DECEMBER 31, 2005 – SCHEDULE III

None, the Company is exempt from rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(ii) thereof.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors
Kinecta Financial and Insurance Services, LLC
Manhattan Beach, California

In planning and performing our audit of the financial statements and supplemental schedules of Kinecta Financial and Insurance Services, LLC (the Company), for the year ended December 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- (1) Making quarterly securities examinations, counts, verifications, and comparisons
- (2) Recordation of differences required by rule 17a-13
- (3) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, which we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Los Angeles, California
February 3, 2006